

ROUTING

Top Secret 217

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National Intelligence Daily Cable for Monday, February 7, 1977.

The NID Cable is for the purpose of informing senior US officials.

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USSR-CHINA: Ilichev to Moscow

[redacted] the USSR's chief negotiator at the Sino-Soviet border talks, Deputy Foreign Minister Ilichev, will return home later this month. Ilichev arrived in Peking on November 27, ending his 18-month absence from the talks. Since the talks began in 1969, it has not been unusual for the chief Soviet negotiator to remain in Peking for only three to four months.//

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[redacted] departure is due to the lack of any progress in the border negotiations. The Chinese, in fact, have been going out of their way to tell foreign officials that their position at the talks is as unyielding as before and that Ilichev had brought no meaningful new proposals.

[redacted] It is unlikely that Ilichev expected any progress. His return to Peking appeared to be part of the Soviet effort to build a public record of willingness to improve relations with China. Moscow was also probing for any changes in Chinese attitudes following Mao's death and was trying to provide some appearance of movement in Sino-Soviet relations for the benefit of the new US administration. [redacted]

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INDIA: Political Wrap-up

[redacted] Prime Minister Gandhi so far has prevented any more important members of her Congress Party from quitting and joining former agriculture minister Ram, who resigned from the party and the cabinet last week. Ram has established a new political party and plans to cooperate with the non-Communist opposition in the parliamentary election scheduled for March.

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[] Gandhi has obtained statements of support from most key Congress Party members, including the leading potential defector, the chief minister of populous West Bengal state. These commitments, however, may have been obtained at some cost to the support for her son Sanjay. Most older party members have been unhappy with the rapid growth of Sanjay's power since the imposition of the emergency in mid-1975. It is now likely that the party will nominate fewer of Sanjay's followers as candidates for parliament than had been originally planned.

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[] Although Gandhi has at least temporarily forestalled defections, some other aspects of the campaign are not going well:

--A large rally in New Delhi on Saturday had been designed to demonstrate popular support for Gandhi and Sanjay, who was to be the main speaker. The crowd was unenthusiastic and unruly and Gandhi spoke instead of Sanjay.

--A major rally in New Delhi yesterday featuring Ram and other opposition leaders reportedly drew an enthusiastic crowd significantly larger than Gandhi's.

--The press has been more outspoken since the lifting of censorship than many expected.

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[] //Gandhi still seems committed to holding the election and allowing her opponents considerable freedom. She has, however, likened the present situation to the conditions that led to the imposition of the emergency and could reimpose or more strictly enforce emergency measures.//

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[] //The Prime Minister is aware that such a step would cast doubt on the validity of the election, which she presumably still expects to win. Gandhi is even less likely to cancel the election, which would require serious stretching of the constitution and would be generally seen as an admission of defeat.// []

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USSR: Technology Exports to US

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[] In an unprecedented move, the USSR is allowing Western firms to examine Soviet research and development organizations in a search for advanced technology suitable for manufacture under license in the West. Eduard Aykazyan, director of the American desk of the Soviet State Committee for Science and Technology, recently said one US firm has been given a license to examine research results at various institutes of the Academy of Sciences, the Ministry of the Medical Industry, and the Ministry of Instrumentation, Automation, and Control Systems. The company already is doing a market survey for Soviet-held patents on medical and measuring instrumentation.

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[] Aykazyan attributed the new policy to dissatisfaction with the amount of technology sold under exchange agreements the Soviets have signed with 58 US firms. Technology sales to the US have been limited by lack of US interest in Soviet technology and by Soviet bureaucratic regulations that permit ministries to trade only their own technology in exchange agreements.

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[] According to the US embassy, Aykazyan admitted that the USSR wants to sell only technology because Soviet engineers are unable to get fundamental research achievements translated into marketable products as quickly as their Western counterparts.

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[] The research-production gap is partly the result of poor organization that isolates researchers, designers, and customers. There also is a critical balance of incentives for industrial enterprises to assimilate new technology. Inviting a US firm to look for advanced technology to exploit is a frank admission of the plight of the research and development establishment in the USSR and exposes a glaring weakness of the Soviet economy.

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NUCLEAR COUNTRIES' MEETING

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[] Attempts to upgrade formal controls on the export of certain sensitive nuclear materials and equipment are meeting resistance from some nuclear suppliers.

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[] At a meeting in Vienna last week of the Zangger Committee, some European states and Japan opposed expanding export controls to additional categories of nuclear materials. The Zangger Committee is a 20-member group of nuclear countries that have agreed in conformity with provisions of the 1968 Non-Proliferation Treaty to impose export controls on specific categories of nuclear equipment and materials.

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[] Japan asserted at the meeting that it could not publicly reverse the export criteria it had already presented to the Japanese Diet during recent hearings on ratification of the Non-Proliferation Treaty. Tokyo, however, expressed its willingness to conform informally to these export requirements.

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[] The objections of some European states, notably Switzerland and Belgium, were more fundamental and could have an influence on other multilateral non-proliferation arrangements--particularly the London Suppliers' Group. Although membership in the two bodies of nuclear exporting countries largely overlaps, France has never participated in Zangger Committee undertakings because of its opposition to the Non-Proliferation Treaty. France has participated, however, in the London group from its initiation--a major factor in the group's success.

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[] In their presentation to the Zangger Committee meeting, the Swiss argued for "specificity" in the criteria for export controls, indicating that they are prepared to accept only minimum requirements. Both the Swiss and Belgians, moreover, expressed some dissatisfaction with the more comprehensive export controls that the London Suppliers' meetings have worked out; these controls extend to nuclear technology transfers as well as nuclear materials and equipment.

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[] Switzerland participates only as an observer at the London meetings because it has not yet formally accepted the group's strict export guidelines. Belgium has been a full member only since last January and did not actually negotiate the export guidelines it has committed itself to observe. Based on their interventions at last week's meeting, however, both countries may increasingly challenge the export control methods of limiting nuclear proliferation or at a minimum attempt to force some renegotiation of the export guidelines as the price of their compliance.

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JAMAICA: Transforming the Media

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[] In the month and a half since his re-election, Prime Minister Manley has moved to increase control over the media in order to accelerate change to a "democratic socialist" society.

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[] Late last month, Manley announced that the government will purchase majority interest in Radio Jamaica, the British-owned private radio network. The only other major network, the publicly owned Jamaica Broadcasting Corporation, was transformed into a government propaganda arm last year through changes in its management.

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[] These moves leave the prestigious newspaper, *Daily Gleaner*, the only media organ inclined to criticize the government. During the campaign, the government invoked its authority under the state of emergency to demand review powers over political statements and advertisements prior to their publication. The *Gleaner*, which has had an important political influence for over a century, refused to comply fully.

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[] Jamaica's recently announced austerity program provides the government with economic leverage that could force the *Gleaner* into line. By manipulating the allocation of foreign currency and the granting of import licenses, the government can control the paper's access to newsprint and its subscriptions to US-based news services. The editor of the *Gleaner* told the US ambassador last month that lack of advertising and other revenues threatens the ability of his newspaper to survive beyond the end of this year.

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[] Public criticism of the *Gleaner* by Manley and other government officials has helped spawn other kinds of pressure. Members of that newspaper's staff sent a letter to the management in late January stating that the views of one particularly outspoken anti-government columnist did not reflect the opinion of the majority of *Gleaner* workers and demanding that the column be ended. A mob of ruling party supporters recently manhandled one of the paper's reporters.

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[] To underscore his need to control the media, Manley has appointed Arnold Bertram, a leading party radical, to the new post of minister of state for information, broadcasting, culture, and festival. []

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USSR: Economic Trends

25X1 [] After two years of large hard-currency deficits, the Soviet payments position is likely to improve substantially in 1977. Export prospects are good because of Western economic recovery, and grain imports will fall sharply because of the record 1976 grain harvest. Moscow should thus be able to increase imports of industrial materials and equipment from the West.

25X1 [] Although the USSR will have to continue the cautious approach it adopted last year when planning its trade and payments in 1977, it should be able to hold the trade deficit this year to \$3 to \$4 billion and lessen dependence on Western commercial banks. The Western economic recovery should allow the Soviets to increase exports by 20 to 25 percent to \$12 to \$12.5 billion; grain imports are likely to be cut by up to \$2 billion. The Soviets already have arranged for long-term credits from Western governments to cover a substantial portion of their equipment and pipe imports this year.

25X1 [] Moscow may be able to satisfy some of the accumulated demand for lower priority equipment and nontubular steel that was created by hard-currency constraints last year. Credit market conditions in the West will to a great extent determine the mix between short-term debt repayment and increases in nongrain imports.

25X1 [] With its net hard-currency debt now at roughly \$14 billion and with more Western banks at or near lending limits, the USSR will continue to be constrained in its ability to obtain general-purpose credits on private money markets, particularly at acceptable interest rates.

25X1 [] The USSR incurred a hard-currency trade deficit of \$6.4 billion in 1975 because of its need to import massive amounts of Western grain at a time when the Western recession held down Soviet export earnings. Moscow initially reacted to this unexpected combination of events with heavy, short-term borrowing from the West. In 1975 alone, Soviet net liabilities to Western commercial banks rose by \$4 billion.

25X1 [] By borrowing heavily rather than cutting back on non-grain imports or selling more gold, the Soviets soon found themselves becoming overextended. Although Western bankers still

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regarded the USSR as creditworthy, Soviet borrowing in 1975 brought many major US and West European banks close to their lending limits.

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[] Moscow took several steps during 1976 to reduce both the size of its trade deficit and its need to rely on Western bankers for balance-of-payments financing. These steps included reducing nongrain imports, increasing gold sales--despite falling prices for most of the year--and minimizing cash outlays, including deferment of some payments until 1977. Nevertheless, continuing heavy imports of grain resulted in a \$5 billion hard-currency trade deficit and a \$2-billion rise in Soviet debt to Western commercial banks. Most of the new borrowing, however, was apparently medium rather than short term.

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[] Prospects are far less certain for 1978. Continued economic growth in the West and a good domestic harvest in 1977 would allow Moscow to continue to increase nongrain imports in 1978. Alternatively, a combination of a poor harvest and an economic downturn beginning late in 1977 or early in 1978 could force Moscow to follow a no-growth import policy or even reduce nongrain imports.

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SUDAN: Aftermath of Unrest

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[] //Sudanese government forces appear to have restored order in Juba, the capital of Sudan's southern region. Although the unrest there last week posed little immediate threat to the central government in Khartoum, it reflects the problems that continue to plague President Numayri's regime.//

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[] //Fighting broke out in Juba on Wednesday when rebel air defense units attempted to take control of the nearby airport. This followed the arrest on January 31 in Juba of 25 Sudanese military men and civilians for allegedly plotting against Numayri.

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[REDACTED] //Numayri probably will face more such challenges because of his inability to gain broad support. Since he came to power nearly eight years ago, there have been five serious attempts to oust him. All but one were led by the military, on which Numayri depends for his political survival.//

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[REDACTED] //Sudan's three diverse Islamic groups remain a source of active dissidence. Student groups, although limited in number, also have been a source of considerable anti-regime activity. They are kept in check only by the security forces and frequent closings of Khartoum University.//

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[REDACTED] //The Sudanese Communist Party, officially banned since 1971, is one of the largest and best organized communist parties in the Middle East. The non-Arab, non-Muslim blacks of the south are united only in their animosity for their Arabic-speaking, Muslim countrymen of the north.//

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[REDACTED] //Numayri's success in maintaining his position has been based primarily on the inability of his opponents to cooperate against him. Most of the people are indifferent to the regime and their voice is heard only when there are economic problems such as rising prices or commodity shortages.//

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[REDACTED] //Numayri is trying to gain the support of the majority by seeking to develop rapidly Sudan's agriculture. Most projects, however, are long term, and it will take several years before those that are already under way are completed.

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BOTSWANA: Policy Toward Rhodesia

25X1 [REDACTED] //Botswana increasingly finds itself caught between its somewhat reluctant role as a front-line state in the Rhodesian conflict and its close economic ties with Rhodesia and South Africa.//

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[] This difficult position is exemplified by the recent arrival of 400 to 500 black refugees from Rhodesia. The Rhodesian government asserts that the group was abducted by guerrillas at gun point from a mission school near the border. Botswana affirms, based on interviews with some of the students, that they came voluntarily to escape harassment by Rhodesian security forces.

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[] //Refugees from Rhodesia are only part of the problem. Botswana for some time has been a haven for refugees from the civil war in Angola, the riots in South Africa, and South African repression in Namibia. The Botswanan government generally has tried to move the refugees on to other countries as it lacks the resources to care for them itself.//

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[] //During the past six months, the flow into Botswana has increased, primarily from South Africa and Rhodesia

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[] After considerable agonizing, President Khama recently decided that the refugees should be allowed to remain in Botswana. He also will try to provide educational facilities for them and is seeking international help.

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[] //Khama's decision probably was made with domestic pressures in mind, although other black African countries have also urged him to take a more militant role. He probably hopes that through assistance and training the refugees will be a less disruptive force in the country, but their presence could serve as a catalyst for opposition to his pragmatic policies.//

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[REDACTED] //There is a vocal opposition in Botswana's multi-party democratic political system, much of which focuses on the government's wide use of expatriates and its encouragement of Indian and other foreign entrepreneurs. This opposition has strongly criticized Botswana's South African connection and relatively weak support for African liberation groups.//

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[REDACTED] //By taking in refugees on a longer-term basis, Khama is putting his skill in handling the competing pressures from within and without on the line. His country is booming economically. Large numbers of Botswanans are employed in South Africa, however, and Rhodesia operates the railroad, which is crucial to exports of Botswanan beef and minerals as well as imports of foodstuffs.//

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[REDACTED] //Khama's new refugee policy will help to still both domestic and foreign critics. It is difficult to see, however, how Botswana with its small security force will be able to prevent the refugees from supporting dissident activity against either Rhodesia or South Africa.//

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[REDACTED] //The emergence of active guerrilla operations against Rhodesia, for example, may encourage the Rhodesians to mount stronger cross-border attacks. This would present Khama with a serious problem. He already has taken to the UN a complaint about Rhodesian border infractions. Full-scale guerrilla war, including substantial external assistance to the Rhodesian nationalists, is likely to involve Botswana more directly in the struggle.//

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[REDACTED] //President Khama himself is in fragile health and while he appears capable of ruling for a considerable time, he may not for long control as ably the disruptive forces affecting his country.// [REDACTED]

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